



**City of Morrill
Morrill, Kansas**

**Report on the Audit of the Basic Financial Statements
As of and for the Year Ended
December 31, 2014**

City of Morrill
Morrill, Kansas
For the Year Ended
December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Leon Huning
Members of the City Council
City of Morrill, Kansas
Morrill, Kansas

We have audited the accompanying fund summary statements of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Morrill, Kansas as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide (KMAAG)* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide (KMAAG)*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Municipality to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

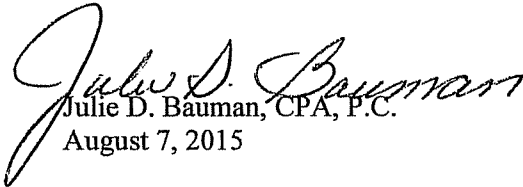
In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Morrill, Kansas as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Morrill, Kansas, as of December 31, 2014, and the aggregate cash receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts and expenditures (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.


Julie D. Bauman, CPA, P.C.
August 7, 2015

City of Morrill, Kansas
Summary Statement of Receipts and Expenditures
Regulatory Basis
Year Ended December 31, 2014

	Beginning Cash <u>Balance</u>	<u>Cash Receipts</u>	Cash <u>Disbursements</u>	Ending Cash <u>Balance</u>
General Operating	\$ 11,720	\$ 75,572	\$ 70,409	\$ 16,883
Special Revenue Funds:				
Special Street	5,654	5,875	2,527	9,002
Morrill Fire Department	47,673	20,890	20,007	48,556
Employee Benefits	5,562	17,542	19,185	3,919
Capital Outlay Fund	25,273	10,000	11,000	24,273
Enterprise Funds:				
Water Utility Funds:				
Water Utility	25,696	55,319	61,630	19,385
Water Deposits	535	250	400	385
Electric Utility Fund:				
Electric Utility	89,729	231,322	234,112	86,939
Electric Deposit	1,150	600	800	950
Sewer Utility Fund	72,706	18,649	45,699	45,656
Trash Collection	7,752	10,606	10,496	7,862
Agency Funds:				
Petty Cash	65	975	910	130
Total Reporting Entity	<u>\$ 293,515</u>	<u>\$ 447,600</u>	<u>\$ 477,175</u>	<u>\$ 263,940</u>
Transfers		-	-	
Net Receipts and Disbursements		<u>\$ 447,600</u>	<u>\$ 477,175</u>	
Composition of Cash:				
Cash at Morrill & Janes Bank				\$ 173,990
Certificates of Deposits				89,900
Cash on Hand				50
Under Deposit				-
				<u>\$ 263,940</u>

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Summary of Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2014

	Cash <u>Disbursements</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
General Fund	\$ 70,409	\$ 97,000	\$ 26,591
Special Revenue Funds:			
Special Street	2,527	10,000	7,473
Morrill Fire Department	20,007	27,500	7,493
Employee Benefits	19,185	23,950	4,765
Enterprise Funds:			
Water Utility	61,630	81,000	19,370
Electric Utility	234,112	236,000	1,888
Sewer Fund	45,699	58,000	12,301
Trash Fund	10,496	14,000	3,504
Total Budget Funds	<u>\$ 464,065</u>	<u>\$ 547,450</u>	<u>\$ 83,385</u>

See notes to financial statements.

City of Morrill, Kansas
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem	\$ 13,396	\$ 17,945	\$ 18,543	\$ (598)
Local Compensating Use Tax	2,571	3,225	4,000	(775)
Redemptions	352	387	1,500	(1,113)
Delinquent Tax	48	69	200	(131)
Motor Vehicle Tax	2,035	2,977	2,972	5
Recreational Vehicle Tax	66	80	58	22
Local Retail Sales Tax	16,102	16,353	20,000	(3,647)
KPL Franchise Fees	6,063	6,166	6,000	166
Late Charges	13,209	13,739	-	13,739
Dog Tags	13	8	100	(92)
Miscellaneous	828	-	4,570	(4,570)
Insurance proceeds	1,307	1,979	2,000	(21)
Embarq Franchise	100	100	100	-
Parks and Recreation	4,400	3,795	1,500	2,295
Federal/State Withholding Tax	8,782	8,749	20,000	(11,251)
Total Cash Receipts	69,272	75,572	81,543	(5,971)
CASH DISBURSEMENTS:				
Administration	19,101	16,851	25,000	8,149
Police Department	51	75	2,000	1,925
Fire Department	7,000	7,000	7,000	-
Parks Department	7,127	5,929	3,000	(2,929)
Street Lighting Department	979	1,189	1,000	(189)
Highway Department	17,667	21,400	32,000	10,600
Cemetery Department	4,000	7,000	7,000	-
Federal Withholding	6,709	6,707	7,000	293
Kansas Withholding	2,105	2,008	3,000	992
Transfer	2,500	2,250	10,000	7,750
Total Cash Disbursements	67,239	70,409	97,000	26,591
Receipts over (under) disbursements	2,033	5,163		
CASH, BEGINNING BALANCE	9,687	11,720		
CASH, ENDING BALANCE	\$ 11,720	16,883		

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Fire Department Fund
Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
Year Ended December 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
City Support	\$ 20,332	16,025	16,000	25
Kansas Gas Service	1,551	1,711	-	1,711
Support Other	4,751	3,154	3,100	54
Total Cash Receipts	<u>\$ 26,634</u>	<u>\$ 20,890</u>	<u>\$ 19,100</u>	<u>\$ 1,790</u>
CASH DISBURSEMENTS:				
Vehicle Expense	1,282	4,249	7,000	2,751
Mileage	1,278	1,013	3,000	1,987
Utilities	3,005	3,302	5,000	1,698
Equipment Maintenance	6,231	1,217	5,000	3,783
Miscellaneous	1,418	3,912	-	(3,912)
Building Maintenance	557	690	2,500	1,810
Supplies	4,920	42	5,000	4,958
Insurance	-	5,582	-	(5,582)
Capital Outlay	-	-	-	-
Total Cash Disbursements	<u>18,691</u>	<u>20,007</u>	<u>27,500</u>	<u>7,493</u>
Receipts over (under) disbursements	7,943	883		
CASH, BEGINNING BALANCE	<u>39,730</u>	<u>47,673</u>		
CASH, ENDING BALANCE	<u>\$ 47,673</u>	<u>\$ 48,556</u>		

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Special Street
Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
Year Ended December 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Special Street and Highway Tax	\$ 5,769	5,875	6,000	(125)
Total Cash Receipts	<u>\$ 5,769</u>	<u>\$ 5,875</u>	<u>\$ 6,000</u>	<u>\$ (125)</u>
CASH DISBURSEMENTS:				
Street Materials	<u>6,314</u>	<u>2,527</u>	<u>10,000</u>	<u>7,473</u>
Total Cash Disbursements	<u>6,314</u>	<u>2,527</u>	<u>\$ 10,000</u>	<u>\$ 7,473</u>
Receipts over (under) disbursements	(545)	\$ 3,348		
CASH, BEGINNING BALANCE	<u>6,199</u>	<u>5,654</u>		
CASH, ENDING BALANCE	<u>\$ 5,654</u>	<u>\$ 9,002</u>		

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Employee Benefit
Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
Year Ended December 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem	\$ 8,593	\$ 7,196	\$ 8,482	\$ (1,286)
Delinquent Tax	33	36	50	(14)
Motor Vehicle Tax	1,619	2,024	1,933	91
Recreational Vehicle Tax	-	-	39	(39)
Employee Contributions	7,718	8,027	7,600	427
16/20M Vehicle Tax	-	-	87	(87)
Tax Franchise	(185)	-	-	-
Redemption Distribution	497	259	324	(65)
Transfer from General Fund	-	-	-	-
Total Cash Receipts	<u>\$ 18,275</u>	<u>\$ 17,542</u>	<u>\$ 18,515</u>	<u>\$ (973)</u>
CASH DISBURSEMENTS:				
Social Security	10,480	10,298	11,000	702
Retirement	7,551	8,821	11,000	2,179
Unemployment	67	66	150	84
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>1,800</u>
Total Cash Disbursements	<u>18,098</u>	<u>19,185</u>	<u>23,950</u>	<u>4,765</u>
Receipts over (under) disbursements	177	(1,643)		
CASH, BEGINNING BALANCE	<u>5,385</u>	<u>5,562</u>		
CASH, ENDING BALANCE	<u>\$ 5,562</u>	<u>\$ 3,919</u>		

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Water Utility Fund
Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
Year Ending December 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Water Sales	\$ 56,461	\$ 54,793	\$ 61,000	\$ (6,207)
Reconnect Fees	380	375	700	(325)
Miscellaneous	1,366	-	150	(150)
Water Protection Fees	167	151	200	(49)
Total Cash Receipts	<u>\$ 58,374</u>	<u>\$ 55,319</u>	<u>\$ 62,050</u>	<u>\$ (6,731)</u>
CASH DISBURSEMENTS:				
Water Purchased	20,772	18,974	28,000	9,026
Personnel Services	11,695	14,119	9,000	(5,119)
Contractual Services	6,651	6,297	8,000	1,703
Commodities	13,085	18,830	15,000	(3,830)
Transfer to Capital Outlay	2,500	2,250	8,000	5,750
Miscellaneous	1,501	1,160	1,000	(160)
Water Tower	-	-	12,000	12,000
Total Cash Disbursements	<u>56,204</u>	<u>61,630</u>	<u>81,000</u>	<u>19,370</u>
Receipts over (under) disbursements	2,170	(6,311)		
CASH, BEGINNING BALANCE	<u>23,526</u>	<u>25,696</u>		
CASH, ENDING BALANCE	<u>\$ 25,696</u>	<u>\$ 19,385</u>		

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Electric Utility Fund
Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
Year Ended December 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Sales	\$ 221,982	\$ 227,579	\$ 222,000	\$ 5,579
Reconnect Fees	380	310	500	(190)
Material Sales	3,870	3,433	1,000	2,433
Miscellaneous	767	-	100	(100)
Transfers	-	-	3,000	(3,000)
Total Cash Receipts	\$ 226,999	\$ 231,322	\$ 226,600	\$ 4,722
CASH DISBURSEMENTS:				
Capital Outlay-Construction of Lines	2,113	40,631	30,000	(10,631)
Electrical Energy Purchased	104,430	113,268	105,000	(8,268)
Personnel Services	28,844	24,485	40,000	15,515
Contractual Services	1,081	1,100	3,000	1,900
Commodities	19,713	15,988	17,000	1,012
Insurance	19,167	21,431	20,000	(1,431)
Sales Tax	14,367	14,459	17,000	2,541
Transfer to Capital Outlay	2,500	2,750	1,000	(1,750)
Transfer from Captial Outlay	-	-	3,000	3,000
Total Cash Disbursements	192,215	\$ 234,112	\$ 236,000	\$ 1,888
Receipts over (under) disbursements	34,784	(2,790)		
CASH, BEGINNING BALANCE	54,945	89,729		
CASH, ENDING BALANCE	\$ 89,729	\$ 86,939		

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Sewer Utility Fund
Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
Year Ended December 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Services	\$ 19,850	\$ 18,649	\$ 21,000	\$ (2,351)
Total Cash Receipts	<u>\$ 19,850</u>	<u>\$ 18,649</u>	<u>\$ 21,000</u>	<u>\$ (2,351)</u>
CASH DISBURSEMENTS:				
Personnel Services	11,688	15,646	-	(15,646)
Contractual Services	9,906	10,290	20,000	9,710
Commodities	859	17,013	20,000	2,987
Transfer to Capital Outlay	2,500	2,750	13,000	10,250
Supplies	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Cash Disbursements	<u>24,953</u>	<u>45,699</u>	<u>58,000</u>	<u>12,301</u>
Receipts over (under) disbursements	(5,103)	(27,050)		
CASH, BEGINNING BALANCE	<u>77,809</u>	<u>72,706</u>		
CASH, ENDING BALANCE	<u>\$ 72,706</u>	<u>\$ 45,656</u>		

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Trash Collection
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
User Fees	\$ 11,031	\$ 10,606	\$ 14,000	\$ (3,394)
Total Cash Receipts	<u>\$ 11,031</u>	<u>\$ 10,606</u>	<u>\$ 14,000</u>	<u>\$ (3,394)</u>
CASH DISBURSEMENTS:				
Contractural Services	<u>10,825</u>	<u>10,496</u>	<u>14,000</u>	<u>3,504</u>
Total Cash Disbursements	<u>10,825</u>	<u>10,496</u>	<u>\$ 14,000</u>	<u>\$ 3,504</u>
Receipts over (under) disbursements	206	110		
CASH, BEGINNING BALANCE	<u>7,546</u>	<u>7,752</u>		
CASH, ENDING BALANCE	<u>\$ 7,752</u>	<u>\$ 7,862</u>		

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Capital Outlay Fund
Schedule of Receipts and Expenditures
Regulatory Basis
Year Ended December 31, 2014

	2013 Actual	2014 Actual
CASH RECEIPTS:		
Transfer from General Fund	\$ 2,500	\$ 2,250
Transfer from Water Fund	2,500	2,250
Transfer from Sewer Fund	2,500	2,750
Transfer from Electric Fund	2,500	2,750
	<u>2,500</u>	<u>2,750</u>
 Total Cash Receipts	 <u>\$ 10,000</u>	 <u>\$ 10,000</u>
 CASH DISBURSEMENTS:		
Infrastructure	<u>-</u>	<u>11,000</u>
 Total Cash Disbursements	 <u>-</u>	 <u>11,000</u>
 Receipts over (under) disbursements	 10,000	 (1,000)
 CASH, BEGINNING BALANCE	 <u>15,273</u>	 <u>25,273</u>
 CASH, ENDING BALANCE	 <u><u>\$ 25,273</u></u>	 <u><u>\$ 24,273</u></u>

The accompanying notes are an integral part of these financial statements.

City of Morrill, Kansas
Trust and Agency Funds
Schedule of Receipts and Expenditures
Regulatory Basis
Year Ended December 31, 2014

	<u>Petty Cash</u>
CASH RECEIPTS:	
Cash Receipts	<u>\$ 975</u>
Total Cash Receipts	<u>975</u>
CASH DISBURSEMENTS:	
Disbursements	<u>910</u>
Total Cash Disbursements	<u>910</u>
CASH, BEGINNING BALANCE	<u>65</u>
CASH, ENDING BALANCE	<u><u>\$ 130</u></u>

The accompanying notes are an integral part of these financial statements.

City of Morrill
Notes to the Financial Statements
For the Year Ended
December 31, 2014

Note 1 – Summary of Significant Accounting Policies

A. Basis of Presentation – Fund Accounting -

The accounts of the City of Morrill, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2014.

Governmental funds:

General fund – to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds – to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Capital project funds – to account for major capital expenditures not financed by other funds.

Proprietary funds:

Enterprise funds – to account for operations that are financed and operated in a manner similar to business enterprises-where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges-or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds:

Agency funds – to account for assets held by the governmental entity as trustee or agent for others.

B. Basis of Accounting

These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

These notes are an integral part of the accompanying financial statements.

City of Morrill
Notes to the Financial Statements
For the Year Ended
December 31, 2014

C. Departure from Generally Accepted Accounting Principles

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

D. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2014.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

These notes are an integral part of the accompanying financial statements.

City of Morrill
Notes to the Financial Statements
For the Year Ended
December 31, 2014

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

E. Reporting Entity

This report includes all of the services provided by the City of Morrill to residents and businesses within its boundaries and includes all of its component units.

Note 2 – Deposits

At year-end, the carrying amount of the City's deposits was \$174,040 and the bank balance was \$203,842. The difference between the carrying amount and the bank balance is December interest earned. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name and insurance.

Composition of Cash and Investments

	<u>Amount</u>
Morrill and Janes Bank:	
Checking	\$ 173,860
Petty Cash	130
Cash on Hand	50
Total	<u>\$ 174,040</u>
 Certificate of Deposit	 \$ 89,900
Total Cash and Investments	<u>\$ 263,940</u>

These notes are an integral part of the accompanying financial statements.

City of Morrill
Notes to the Financial Statements
For the Year Ended
December 31, 2014

Note 3 – Taxes

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and the second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2014, the City received the following from county and state taxes:

	General <u>Fund</u>	Street <u>Fund</u>	Employee Benefit <u>Fund</u>
Property Taxes	\$ 17,945	\$ -	\$ 7,196
Motor Vehicle Taxes	2,977	-	2,024
Sales and Use Taxes	16,353	-	-
Other Vehicle Taxes	80	-	-
State Highway Aid	-	5,875	-
	<u>\$ 37,355</u>	<u>\$ 5,875</u>	<u>\$ 9,220</u>

The assessed valuation in 2014 was \$1,402,216, which was used to determine the mill levy for 2014. The mill levy was 19,273 for 2014.

Note 4 – Utilities

The City provides water, sewer, electric and solid waste services. The City reads the meters at the 18th of each month and mails their utility bills on the 20th day of each month for the previous month's service. The utility bills are due the tenth day of the month. Payments received after this date, are subjected to a late charge of 10.0% on the unpaid bill. If bills are not paid by the tenth of the following month a disconnect notice is sent and service will be disconnected on the twenty-first.

The City requires that, at the time of making application for utility service, the property owner or customer shall make a cash deposit in the amount of \$50 for water service and \$100 for electric service, set by the governing body to secure payment of accrued bills or bills due on discontinuance of service.

These notes are an integral part of the accompanying financial statements.

City of Morrill
Notes to the Financial Statements
For the Year Ended
December 31, 2014

Note 4 – Utilities (continued)

The amount due to the City for utility services as of December 31, 2014 was \$29,870.37, of which \$3,931.48 is related to the December billings (due January 10, 2015). The amount due to customers for utility deposits as of December 31, 2014 was water \$625, electric \$1,400.

Utility Rates as of December 31, 2014 are as follows:

Water Rates:

Minimum charge	\$26.10 for residents inside city limits includes 1,000 gallons
Minimum charge	\$30.72 for residents outside city limits includes 1,000 gallons
Next 1,000 gallons	\$4.64 per 1,000 gallons, inside the City limits
	\$4.64 per 1,000 gallons, outside the City limits

Sewer Rates:

Flat Rate	\$15.00 for residential
Flat Rate	\$15.00 for commercial

Solid Waste:

Monthly charge	\$ 9.25 for residential
Monthly charge	\$18.40 for commercial

Electric Rates:

Monthly charge	\$ 9.00 for residential
Monthly charge	\$11.00 for commercial
All customers	\$.015 per KWHR plus Energy Cost Adjustment

Note 5 – Pension Plan

Plan Description, The City of Morrill participates in the Kansas Public Employees Retirement System (KPERS). This is part of a cost-sharing, multiple-employer defined benefit pensions plan as provided by Kansas Law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy, K.S.A. 74-4919 and K.S.A 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The

These notes are an integral part of the accompanying financial statements.

City of Morrill
Notes to the Financial Statements
For the Year Ended
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employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Net Pension Liability. The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the Municipality's proportionate share of the net pension liability is \$46,155 as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

Note 6 – Compliance with Kansas Law

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December 2014.

Note 7 – Water Purchase Contract

The City purchases its water from the City of Sabetha, Kansas at a rate of \$3.33 per 1,000 gallons the original contract is dated August 29, 1991 and is subject to increases after each audit of the Sabetha water utility. The City sold 5,197,100 gallons of water to customers and purchased 5,322,700 gallons from the City of Sabetha, the water loss percentage was 3% in 2014.

Note 8 – Waste Management Contract

The City contracts with Larry's Services for refuse collection at a rate of \$9.25 per residential customer and \$18.40 per commercial customer. The City bills for the services and receives a 3% discount for the billing processing. All bulk item pickups are billed directly by Larry's Services to the customer. The contract was initiated on September 1, 2003 and is extended on an annual basis.

Note 9 – Electrical Service Contract

The City purchases power from Westar Energy at a rate of \$.1712 plus variable charges per kilowatt hour. The contract is effective August 2, 2010 and has a term of twenty years. The City sold 1,181,924 kilowatt hours to customers and purchased 1,344,301 kilowatt hours from Westar Energy, the electricity loss percentage was 15% in 2014.

City of Morrill
Notes to the Financial Statements
For the Year Ended
December 31, 2014

Note 10 – Compensated Absences

The City vacation and sick policies are as follows:

Vacation Leave:

<u>Years of Service</u>	<u>Number of days received on anniversary date</u>
0-1	5
1-10	10

After ten years of service the employee earns one extra day of vacation for each year over ten years the maximum accrual is 120 hours.

Sick Leave:

Employees earn 40 hours of sick time per year and can be carried over for two additional years. The maximum accumulated sick leave shall not exceed 120 hours.

Note 11 – Infrastructure

The City has elected not to comply with Government Accounting Standards Board 34 (GASB 34), which requires Cities to account for their infrastructure.

Note 12 – Concentrations

The City is engaged in the sale of water, trash, electric and sewer services to customers located in the City. The City grants credit to those customers and requires no collateral but does require a service deposit.

Note 13 – Risk Management

The City has various risks including general liabilities, employees injured while working, automobile, etc. The City insures these risks through various insurance policies.

Note 14 – Subsequent Events

Management has evaluated subsequent events through August 7, 2015, the date the financial statements were available to be issued.

These notes are an integral part of the accompanying financial statements.